GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0069	**Title:**	Revise value-added loan program laws
Primary Sponsor:	Wanzenried, D.	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Include in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	($292,050)	($584,100)	($885,000)
Net Impact-General Fund Balance	$0	($292,050)	($584,100)	($885,000)

Description of fiscal Impact:

SB 69 increases the allocations for infrastructure and value added loans by $50 million.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

1. SB 69 increases the total allocation for loans made pursuant to 17-6-309(2), MCA, to enhance economic development and create jobs in the basic sector of the economy, from $50 million to $80 million (infrastructure loans). SB 69 also increases the total allocation for loans made pursuant to 17-6-317, MCA, for business enterprises that are producing value-added products, from $50 million to $70 million (value-added loans).
2. Infrastructure and value-added loans are funded through the coal severance tax permanent fund.
3. A minimum of 10 new jobs must be created to qualify for value-added loans and 15 new jobs created to qualify for an infrastructure loan.

4. SB 69 is intended to ensure that the current $50 million allocations are not exhausted during the next biennium. However, there is no certainty that the current allocations will be exhausted during the period. The loan volume will be determined by economic development activity in the state.
5. For the purposes of this fiscal note, it is assumed the current $50 million allocation will not be exceeded during the first year of the 2009 biennium and a third of the additional allocations will be used in each of the succeeding three years.
6. Any part of the additional allocation not used during the last three years of the period will be invested in the Trust Funds Bond Pool (TFBP) at an interest rate of approximately 5.66%.
7. Interest rates for infrastructure loans (set by the board) are anticipated to be 7.65% less a 2.50% reduction for a minimum of 50 new jobs created (this reduction is required by law) for an effective interest rate of 5.15%.
8. Interest rates for value-added loans (set by law) are 2.00% for the first five years of the loan term if 15 new jobs are created (4.00% for 10 jobs). For the purposes of this fiscal note a 2.00% rate is assumed.
9. Interest earnings from value-added loans, infrastructure loans, and the TFBP are deposited in the state general fund so any interest lost by replacing investments in the TFBP for these loans will be a state general fund revenue loss.
10. Should the current $50 million allocations not be exceeded during the four-year period, there will be no state general fund impact.

Fiscal Impact:	**FY 2008 Difference**	**FY 2009 Difference**	**FY 2010 Difference**	**FY 2011 Difference**
Revenues:				
General Fund (01)	$0	($292,050)	($584,100)	($885,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	($292,050)	($584,100)	($885,000)

Sponsor's Initials *Date* *Budget Director's Initials* *Date*